

# **Testimony submitted by Representative John E. Peterson to the Committee on the Budget**

**March 8, 2001**

## **A Rural Perspective**

Chairman Nussle, Ranking Member Spratt, distinguished colleagues, I come before you today to present a perspective that used to be the predominant one, a perspective that focuses on simplicity and community, one that is a way of life. That perspective is from rural America.

I represent one of the largest rural districts east of the Mississippi River. In addition, the Commonwealth of Pennsylvania has more towns with a population of 2500 or less than any other state in the Union. If one traveled through my district, they would find a multitude of manufacturing processes including timber and paper, powdered metals, steel products, plastics, and hi-end technology products. In addition, one would come across agriculture, as well as oil and gas. In fact, the Drake well sight, the first successful oil drilling site, is located in my district, as is one of the largest gas storage facilities in the northeast.

Rural America is no longer the agrarian culture it once was and I highlight the multi-faceted nature of my district because rural America is slowly transforming into a society that does not rely on agriculture as heavily as in the past. Farming is still a strong component of life in rural America, but as that industry is faced with numerous challenges, the rural economy will continue to slowly transform. The demand for other jobs is growing and it is time to focus on ensuring that quality opportunities continue to exist in rural areas.

It is on this transformation that I ask you, my colleagues, to engage and focus. In order to assist you, I will emphasize the following issues: education, economic development, energy, and health. As we begin this discussion, it is important to remember that rural communities are the first to feel any economic downturn and the last to realize the benefits of a robust economy. It is my hope that many of the topics mentioned will eventually help to minimize these economic effects on rural regions.

Since education is one of the most important subjects for Americans, it seems like an appropriate one on which to focus first. Rural education systems face the same demands, challenges, and hurdles that plague many urban and suburban schools. School modernization efforts, academic performance issues, and drug-related problems are just as prevalent, if not more so in rural communities. Schools must rely on local taxes that come from a very limited base. As such, the ability to pursue other avenues of funding is greatly hindered. While many

urban and suburban districts have significant administrative personnel, entire rural school districts rely on one, possibly two individuals to manage day to day operations and pursue both state and federal dollars.

That is why I wholeheartedly agree with the President's focus of providing more flexibility in federal funding to the educational community by pursuing a block grant proposal. Recently, I asked the Pennsylvania Education Department for a list of every school district showing the amount of federal, state and local funds relied upon by each school district. You may be interested to learn that nearly all of the schools in my district receive roughly one-percent from the federal government. In contrast, schools in urban areas receive on average about seven-percent of their funds from the federal government with one as high as twelve-percent. This is simply not fair. While this issue must be addressed in the context of reauthorizing the Elementary and Secondary Education Act, it is imperative that the Committee provides sufficient funds for reforms that address the rural funding inequity issue.

I have often said that in the 21<sup>st</sup> Century, business and industry will locate in areas where there is a quality-trained workforce. One tremendous deficiency in ensuring the existence of a well-trained workforce is the lack of classrooms able to support emerging technologies. In order to address this shortcoming, I will be introducing legislation in the near future that will provide matching grants in order to provide more classroom opportunities. However, economic development money can be utilized to help create new and enhance existing these technical centers. The President's overview budget discusses economic development accounts. I am a little dismayed it hints at following the advice of those that argue for the elimination of the various economic development accounts.

The main thrust of the argument opposing economic development accounts centers around the duplicity of the various programs. While such duplicity may exist, certain proposals call for the total elimination of every program. This is simply irresponsible. In addition, opponents argue that funds are not targeted to those areas with the most need. When Congress reauthorized the Economic Development Agency a few years ago, one of the main tenants of that measure was focused on assuring that funds were directed to areas most in need.

Rural communities are desperately in need of continued economic development funds. In fact, over the past three months, four companies in my district have either announced significant lay-offs or have completely shut down plants. With this decreasing tax base, it is imperative that communities have access to resources that will attract new business providing similar or better quality jobs while maintaining a quality of life. I can personally attest to the success of these funds, as I have been heavily involved in helping communities utilize them to attract business.

Another issue that has been thrust into the forefront of today's priorities is energy. As I mentioned, I represent an area that has been heavily influenced by the oil industry. In addition, nearly all the natural gas destined for New England is stored or travels through my district. Our country is facing a crossroads in the arena of energy policy. The current Administration is taking steps to determine how to focus our efforts. One point that will almost definitely be addressed is the issue of increased domestic reliability. A continued drastic decline in domestic production will lead us toward a national security crisis. Right now we are seeing the beginnings of a domestic crisis, which if not addressed, will lead to one involving national security.

As such, it is important to recognize that the current sources of energy, namely fossil fuels, will not be overtaken in the near future by any alternative energy source. That does not mean we should stop pursuing research in alternatives. What it does mean, however, is that we should not abandon these resources. New technologies are being discovered at an incredible rate that provide cleaner use of traditional fuels. This is a tremendous step toward ensuring that our economies continue without feeling any negative impact. In order to assist in this effort, we must continue to support research efforts in the fossil fuel sector that will bring these technologies to the forefront and eventually to the market place.

As I mentioned, we should also be exploring alternative sources for energy production. There are a number of suggested alternatives that continue to manifest and others that have been at the forefront for a number of years. Many of these have been explored and researched to the point that viability is not a foreseeable option. The emphasis on the research and pursuit of alternative options should be heavily focused on those that are viable. For example, wind is an alternative that has been explored and, while applicable in some local situations, will not become a viable alternative for the entire nation. Furthermore, little progress has been achieved recently in improving wind toward becoming a more viable source. However, there are other sources that show great promise and have several applications that must receive more emphasis. I encourage you to highlight viable alternatives in the pursuit of energy policy funding.

Finally, I would like to close on an issue that Chairman Nussle and I have worked very closely on and that is healthcare. In many respects, I am addressing a responsive audience interested in preserving a health care system in rural America, but I would like to take the opportunity to highlight a few areas.

The debate on healthcare over the coming years will focus on our baby boom population as more and more Americans become reliant upon private and public sources of health care assistance. By and large, this aging population lives outside of urban settings, mandating our commitment to a vibrant, growing rural health care delivery system.

Simply stated, rural health care is the most cost-effective health care delivery system in the country. However, federal, state, and private reimbursements for care provided in urban/suburban settings disproportionately outpace that provided to their rural counterparts compared to their respective costs. This payment variance can often be nearly as much as two-to-one, as exemplified in managed care reimbursement rates. I often say that while urban America enjoys access to Medicare Plus, rural America must make the most of Medicare "Lite". But whether it is managed care organizations, hospitals, home health agencies, nursing homes, assisted living facilities, or ambulance service providers, rural caregivers are dealing with an uneven playing field. We must work diligently to right this wrong.

Federal policy must serve to strengthen the viability of our rural providers. The alternative forces patients to travel long distances away from friends and family to more costly urban and suburban settings -- both to them and to taxpayers. As such, I am pleased to hear of the President's budget priority to invest in a safety net by strengthening Community Health Centers that provide care for our low-income, uninsured and underinsured rural populations. However, I worry that this initiative alone will not reach all of rural America, and ask you to also support other vehicles to assist in meeting this need. Such vehicles may emerge from a higher funded National Health Service Corps that would encourage greater practice in rural areas, an enhanced budget for the Office Of Rural Health Policy to boost research capabilities or increased funding to the Prospective Payment System Grant created in the 1999 BBRA, but never funded.

Regardless of the details, the overall mission must be to not only preserve rural health care, but to ensure that it thrives in every rural community across the Nation. While our rural providers serve as the most cost-effective deliverer of care, their viability also serves as an integral part of their community's economic engine, as one of -- if not the -- largest employer in the area, and as a needed incentive to attract new residents, businesses, and opportunities for economic growth.

In closing, I would like to thank the Committee for the opportunity to present the picture of rural America. We are the heart and soul of much that is good in this country. It is essential that rural communities remain vibrant and can continue to contribute to the economic prosperity of this country. When these communities begin to fail, the impact and burdens are soon felt by the entire country. Thank you for keeping the rural perspective in mind as you work toward finalizing a budget outline for fiscal year 2002.